



## Fitch Downgrades Portugal to 'A-'; On RWN Ratings

24 Mar 2011 12:20 PM (EDT)

---

Fitch Ratings-London-24 March 2011: Fitch Ratings has downgraded Portugal's Long term foreign and local currency Issuer Default Ratings (IDR) to 'A-' from 'A+' and Short-term IDR to 'F2' from 'F1' and placed them on Rating Watch Negative (RWN). The agency has affirmed the Country Ceiling at 'AAA'.

"The downgrade reflects increased risks to policy implementation and fiscal financing in light of the Portuguese parliament's failure to pass fiscal consolidation measures and the resignation of the Prime Minister on 23 March," says Douglas Renwick, Director in Fitch's Sovereign group.

Fitch previously stated on 23 December 2010, when it downgraded Portugal to 'A+' with Negative Outlook, that additional fiscal measures may be necessary to secure this year's ambitious deficit target (4.6% of GDP). The failure to pass such measures yesterday and the ensuing policy uncertainty has weakened the credibility of Portugal's fiscal and structural reform programme. It has therefore significantly increased the chances of Portugal requiring multilateral support in the near term, given its impaired ability to retain affordable market access.

Fitch judges the risks to fiscal financing have increased since it last reviewed Portugal's rating on 23 December 2010. The government has raised EUR12.0bn in bonds and T-bills over the year to date (YTD), plus another EUR1.3bn in privately placed notes. However, this compares with EUR10.8bn in T-bill redemptions YTD, a sizeable budget deficit, and a further EUR4.3bn and EUR4.9bn in bond redemptions in April and June, respectively. "Given the lack of improvement in financing conditions, Fitch no longer assumes Portugal can maintain affordable market access this year under its baseline scenario," adds Renwick.

The RWN indicates a heightened probability of a downgrade over the next three to six months. In the absence of a timely and credible economic and financial support programme agreed with the IMF and EU, Portugal's sovereign rating would likely be downgraded, possibly by more than one notch. The outcome of the RWN will also be influenced by the agency's assessment of the economic and budgetary outlook, including the potential fiscal cost of strengthening the capital position of the Portuguese banking system.

### Contact:

Primary Analyst  
Douglas Renwick  
Director  
+ 44 20 3530 1045  
Fitch Ratings Limited  
30 North Colonnade  
London E14 5GN

Secondary Analyst  
Paul Rawkins  
Senior Director  
+44 20 3530 1046

Committee Chairperson  
David Riley  
Group Managing Director  
+44 20 3530 1175

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email: peter.fitzpatrick@fitchratings.com.

Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, 'Sovereign Rating Methodology', dated 16 August 2010, are available at [www.fitchratings.com](http://www.fitchratings.com).

### Applicable Criteria and Related Research:

Sovereign Rating Methodology

Portugal Faces Tough Adjustment in 2011

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE

'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.